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Humpty's™

Restaurants International Inc.

1999 Annual Report

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Humpty's™

Restaurants International Inc.

1999 Annual Report

Performance at a Glance

8 Year Summary

	1999	1998	1997	1996	1995	1994	1993	1992
Franchises	56	47	40	37	33	31	29	23
Franchisor-owned locations	5	5	4	3	2	1	1	6
Franchise revenue (000s)	$3,534	$3,286	$2,696	$2,205	$1,789	$1,304	$1,043	$950
Increase	7.5%	21.9%	22.4%	23.3%	37.2%	25.0%	9.8%	11.5%
Franchise revenue per franchise (000s)	$63	$70	$67	$60	$54	$42	$36	$41
Net income (000s)	$350	$685	$660	$578	$473	$221	($106)	($1,205)
Earnings per share, fully diluted	$.022	$.043	$.044	$.038	$.030	$.015	($.005)	($.004)
Working capital (000s)	$643	$885	$408	$73	$195	($178)	($846)	($1,477)
Shareholders' equity (000s)	$2,470	$2,099	$1,415	$755	$301	($39)	($337)	($229)
Return on average shareholders' equity	15.3%	39.0%	60.8%	109.5%	360.7%	*N/A*	*N/A*	*N/A*
Current ratio	1.88	2.53	1.43	1.10	1.65	.65	.26	.23
Debt ratio	.67	.50	.63	.75	.87	1.02	1.15	1.09
Times interest earned	3.49	9.25	6.67	4.24	2.93	1.71	.61	*N/A*
Market price at year end	$.29	$.46	$.45	$.34	$.10	$.14	$.14	$.14

PRESIDENT'S MESSAGE TO SHAREHOLDERS

Nineteen ninety-nine has been a year of substantial change for Humpty's Restaurants International Inc. On the one hand, we've undertaken a very positive investment program to improve the Company's long-term financial position by adding hard assets to a restructured portfolio in order to enhance the balance sheet and non-franchise revenues. On the other hand, we've had to contend with a very difficult BC market that over the year has stalled earnings, consumed most of the year's cash and deferred expansion in an attempt to support weakening operations therein. To say the least 1999 has been a challenging year but one that should in the end, be accretive to shareholder value.

Investments - Rockin' Robin's Red Deer, Alberta

Without question, the largest undertaking in 1999 was the purchase and development of 3.34 acres of land on Gasoline Alley along Highway #2 County of Red Deer, Alberta. To date, $2.8 million has been invested (including land purchase) to build a corporate Rockin' Robin's Diner/Gas Bar/Car Wash/Convenience Store on the site as Phase 1 occupying half of the purchased lands. Operations commenced December 29, 1999 therein with restaurant sales exceeding projections by approx. 20%. Fuel, car wash and convenience store sales have however lagged in the interim due to a lack of brand awareness and the absence of cross-promotional initiatives to be undertaken through 2000.

Phase 2 of the project will be developed in 2000 wherein $800,000 to $900,000 in borrowed capital will be invested to build three (3) retail spaces to host three (3) third-party operators on a leased basis. This phase will occupy the remainder of lands purchased, with two of the three spaces being pre-leased at the time of writing. Rental revenues generated from third-party occupants will be such as to allow all Phase 2 and part of Phase 1 financing to be serviced by those revenues netting lower occupancy costs for corporate operations therein.

Investments - Prince Albert, Saskatchewan

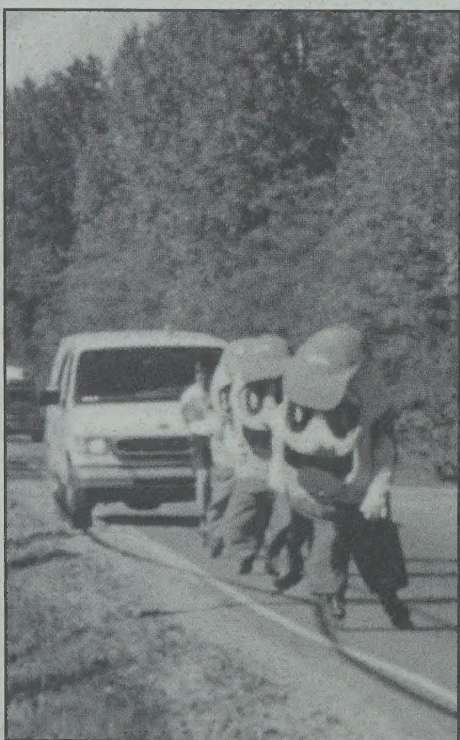
The second major undertaking of the year was the purchase and development of 1/2 acre of land in Prince Albert, Saskatchewan to host a Humpty's Family Restaurant franchise. The franchise occupies all purchased lands on a leased basis, wherein $900,000 was invested (including land purchase) to build an appropriate site to host the franchise whose operations commenced November 9, 1999. Early indications are that this location will be one of the top five (5) producing franchises in the Humpty's Family Restaurant System in its first year of operations.

BC Support Initiatives

Notwithstanding the beneficial impact the above-noted investments will have on long-term corporate finances, any short-term benefit has been off-set by an extraordinary support effort that needed to be undertaken in the Vancouver Island and Lower Mainland regions of BC.

To date, an increasingly deteriorating economic climate, punitive anti-smoking workplace legislation and mistimed expansion have conspired against us in the BC market. Despite better than expected initial sales upon entry, BC has since eroded to such an extent as to warrant extraordinary financial and marketing assistance to keep some operations going. By most accounts, provincial foodservice sales have fallen on average 17% throughout the year, across all segments not including any decreases attributed to the anti-smoking legislation introduced January 1, 2000. Some Humpty's outlets suffered sales decreases as high as 45% as a direct result of the legislation and economic slow-down. Without having built a sales cushion to absorb such decreases, some operations have been rendered near critical.

Store openings undertaken in the region during the year were committed. Therefore, the Company was obliged to honor those opening commitments despite growing evidence that it would be more prudent to do otherwise. Had those commitments not been honored, HRII could have faced arduous and potentially burdensome legal actions initiated by some landlords and franchisees in the region. At the time of writing, BC sales have recovered to some extent by virtue of the support initiatives undertaken by the Company, but not enough to declare all operators self-sufficient at this time.



Overage marketing expenditures injected directly into the region totaled approximately $200,000 for the fiscal period. Rental assistance and franchisee loans extended to franchise and corporate operations therein came to another $560,000 in direct assistance. Stepped-up area management visits and training frequency added another $60,000 in direct costs for undertaking the initiatives. Indirect resources committed to the region include higher consultant, legal and head-office related expenses incurred specifically to administer the support program undertaken. In total, approximately $900,000 in direct and indirect financial assistance has been extended to the BC region to maintain market presence and on-going operations. Not included but worth noting in that total is approx. $700,000 in estimated royalty and ad contribution payments the Company should otherwise have received from the region, were it to be generating average system-wide sales.

Clearly, we cannot continue to provide that level of assistance to any region or endeavor without seriously jeopardizing the Company's long-term financial future. Therefore, to mitigate any further losses attributed to such relief efforts, a remedial restructuring program was launched in Q4/99 to eliminate the need for further assistance in BC.

Two of the three outlets now operating corporately therein will be closed during the first half of 2000. Those operations came to be corporate by virtue of two (2) take-backs from former franchisees. The third outlet was opened as a corporate operation because we could not find a qualified franchisee. In addition, discussions have been initiated with regional landlords to negotiate rental relief for those operators experiencing extreme difficulties related to the economics affecting the area and retail developments they occupy. Direct financial support to franchisees will be suspended given that most remaining operations are approaching self-sufficiency with improved sales and pending lease concessions.

The benefit of undertaking these remedial measures will be minimized losses attributed to the region; reduced occupancy costs for remaining operators; and retained cash that would otherwise be needed to support BC operations going forward. The unfortunate impact of having undertaken these measures will be residual losses attributed to lease settlements and operating losses incurred in the region.

Ontario Expansion

Due to a number of contractor and permit approval related difficulties experienced in Vaughan, opening of our Humpty's Family Restaurant corporate prototype, training centre and eastern regional office in the area has been delayed for one year. The original opening period was to be June 1999. However, due to the delays experienced, opening of this location has been rescheduled for the summer of 2000. Notwithstanding those delays, HRII is still committed to opening the outlet given the important role it will play in opening the Ontario market for expansion.

Conclusion

As regrettable as 1999 has been in some respects, we do not regret having undertaken any of the investment or support measures outlined herein. As a responsible public company, we have invested corporate capital to enhance financial stability and shareholder value over the long-term. As a committed franchisor, we have assisted our franchisees to the highest extent possible during a very acute time of need.

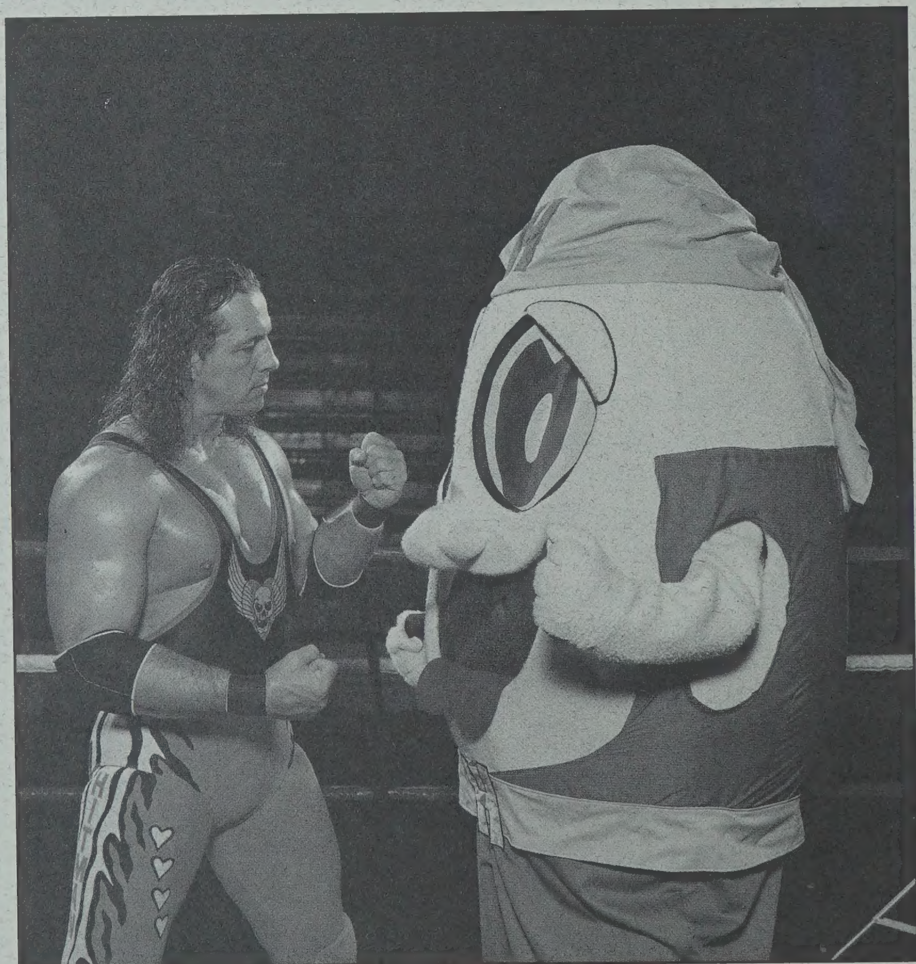
Having said that, I'd like to extend a special thanks to all franchisees within the Humpty's Family Restaurant System. Not only did they understand and appreciate the measures HRII needed to undertake in BC, they offered to help in whatever manner deemed necessary to assist their fellow operators and protect the System's integrity. It is gratifying to know that all participants within the Humpty's Family Restaurant System

can be relied upon to work as a team, especially when their efforts go above those of their own self interest.

My hope is that you, our shareholders will continue to support our efforts in making Humpty's Restaurants International Inc. Canada's premier family restaurant franchising company.

Thank you.

Don Koenig,
President & CEO



Management's Discussion and Analysis

The following discussion of the financial position and results of operations should be read in conjunction with the audited financial statements and related notes attached thereto.

Our Business

The Company is one of Canada's leading franchisors of mid-scale full-service family restaurants. It is a franchisor and operator of the Humpty's Family Restaurants chain ("Humpty's") and operator of the newly-developed Rockin' Robin's Diner ("Robin's").

The Humpty's chain is comprised of mostly 24-hour full-service family restaurants featuring a full range of breakfast, lunch and dinner items available throughout the operating day. The concept's menu is mid-scale family distinguished by an extensive and unique breakfast-related selection featuring several items original to the chain.

Robin's utilizes an authentic 50's/60's-style diner concept featuring an authentic diner menu and décor. The Company owns and operates two Robin's outlets - Calgary and Red Deer, Alberta. The Company is currently considering the franchising potential of Robin's.

Results of Operations

Franchise Operations

In 1999, the Company undertook an aggressive expansion program, adding nine franchises: four in British Columbia (Mission, Surrey, Victoria, and Squamish), three in Alberta (Fort McMurray, Lethbridge, and Edmonton), and one in each of Saskatchewan (Prince Albert) and Ontario (Thunder Bay). The number of franchises increased to 56.

Revenue

Royalties were $1.9 million in 1999, only 1% above those of 1998, and royalties per franchise decreased 14% to $37,000 in 1999. A portion of royalties otherwise receivable from a number of new franchisees was forgiven in the year to assist these franchisees in becoming established.

Advertising participation fees used to fund corporate advertising campaigns were $861,000, 5% above those of 1998, attributable to the addition of nine franchises at various points throughout 1999.

Rebates and other income were $515,000, 32% above those of 1998. A larger portion of suppliers' rebates earned by the Company were retained, whereas in 1998 a greater portion was passed on to franchisees.

Franchise sales were $223,000. Franchise sales reflect primarily upfront franchise fees; nine such fees were collected in 1999.

General and Administrative Expenses

Advertising and promotion was $1.08 million, 23% above that of 1998. Significant expenditures were made in respect of expansion into British Columbia.

Franchise support was $239,000, 33% above that of 1998, attributable to development of a new geographic area.

Salaries and employee benefits were $835,000, 21% above those of 1998. Corporate staff increased as the Company strengthened its management team for current and future expansion. Additional training staff were also employed during the year.

Lease settlements were $647,000 in 1999. Lease settlements relate to expenditures on behalf of franchisees not yet established, primarily to cover lease and loan payments.

Restaurant Operations

The Company continues to operate corporate locations to allow the monitoring of consumer trends and competition, the testing of products and menus, and the refinement of the Company's operations model.

Sales were $3.53 million, 10% below those of 1998, attributable to the franchising of two corporate locations. A second Robin's was opened in Red Deer three days prior to year end; it, therefore, had no significant operations in 1999.

Cost of sales and gross margin were $1.17 and $2.36 million, respectively with the gross margin percentage constant at 67%.

Operating costs were $2.04 million, 1% below those of 1998 and included start-up efforts of Robin's.

Gain on Corporate Stores Franchised

A gain of $217,000 attributable to the franchising of two previously corporate stores was recognized in the year.

Net Income and Taxes

Net income was $350,000, 49% below that of 1998. Income taxes were 29% of pre-tax earnings compared to an expected rate of 45%, attributable to timing differences between tax and accounting deductions.

Financial Position

The Company's current ratio is 1.9 compared to 2.5 in 1998. Cash was deployed into capital assets and notes receivable from new franchisees. The Company's capital assets increased to $5.9 million, 125% above those of 1998, attributable to the construction of facilities in Red Deer and Prince Albert, offset by the franchising of two corporate Humpty's locations.

Expansion was financed primarily by long-term debt, reflected in its 142% increase to $4.0 million in 1999 from $1.7 million in 1998. Obligations under capital leases were $480,000 compared to $0 in 1998.

The Company's debt ratio is .7 compared to .5 in 1998. The Company's times interest earned ratio is 3.5 compared to 9.3 in 1998.

Return on Equity

The return on average shareholders' equity for 1999 was 15%, compared to 39% for 1998. The Company is confident it is well positioned to provide competitive returns for its shareholders over the long-term.

Issues and Risks

The Company's strategy is to grow through expansion of its franchise and by acquisitions if appropriate circumstances arise.

The restaurant and franchise industry is very competitive. Quality locations are at a premium, despite the availability of many qualified franchisees.

Furthermore, expansion into geographical areas that lack brand recognition for the Humpty's chain creates uncertainty with regards to customer acceptance. The Company researches and evaluates, using strict selection criteria, each proposed franchise to minimize this risk, selecting only those that indicate strong likelihood of success.

Outlook

The Company's aggressive expansion in 1999 was not without its difficulties. Management is closely monitoring several locations and will act appropriately to maximize shareholder value.

Though we cannot foresee with certainty future performance, we believe that significant opportunity exists for profitable growth with the Company's established franchise, creating shareholder value over the long-term.

Humpty's Restaurants International Inc.

Financial Statements December 31, 1999

Auditors' Report

To the Shareholders of Humpty's Restaurants International Inc.:

We have audited the balance sheet of Humpty's Restaurants International Inc. as at December 31, 1999 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Kenway Mack Slusarchuk Stewart

Calgary, Alberta
March 17, 2000

Humpty's Restaurants International Inc.

Balance Sheet

December 31, 1999

Assets

	1999	1998
Current assets:		
Cash and cash equivalents	$ -	$ 233,310
Accounts receivable	552,173	591,886
Inventory	350,559	243,011
Income taxes recoverable	217,607	8,072
Prepaid expenses and deposits	165,575	310,989
Notes receivable, current portion (Note 2)	88,951	74,589
	1,374,865	1,461,857
Notes receivable, net of current portion (Note 2)	205,349	91,824
Capital assets (Note 3):		
Cost	6,803,642	3,530,299
Less - Accumulated amortization	911,574	919,853
	5,892,068	2,610,446
	$ 7,472,282	$ 4,164,127

Liabilities

	1999	1998
Current liabilities:		
Cash and cash equivalents	$ 11,877	$ -
Accounts payable	387,423	388,620
Long-term debt, current portion (Note 4)	236,986	188,109
Obligation under capital leases, current portion (Note 5)	95,512	-
	731,798	576,729
Long-term debt, net of current portion (Note 4)	3,808,672	1,488,242
Obligation under capital leases, net of current portion (Note 5)	384,070	-
Deferred income taxes	78,000	-
	5,002,540	2,064,971
Contingencies and commitment (Note 8)		

Shareholders' Equity

	1999	1998
Share capital (Note 6)	1,125,806	1,104,806
Retained earnings	1,343,936	994,350
	2,469,742	2,099,156
	$ 7,472,282	$ 4,164,127

Approved by the Board:

____________ Director.

J. Koenig Director.

Humpty's Restaurants International Inc.

Statement of Income and Retained Earnings

For the Year Ended December 31, 1999

	1999	1998
Franchise revenue:		
Royalties	$ 1,934,309	$ 1,912,715
Advertising participation fees	861,318	823,565
Rebates and other	515,027	389,505
Franchise sales	223,250	160,000
	3,533,904	3,285,785
General and administrative expenses:		
Advertising and promotion	1,084,083	883,201
Salaries and employee benefits	834,832	687,458
Lease settlements	647,354	64,370
Franchise support	239,323	179,442
Office and miscellaneous	208,438	193,785
Professional fees	169,929	122,497
Interest on long-term debt	167,300	121,793
Amortization	54,839	52,261
New franchise construction	30,548	125,063
Development concept	15,777	57,722
	3,452,423	2,487,592
Restaurant operations:		
Sales	3,530,506	3,917,447
Cost of sales	1,168,187	1,294,160
Gross margin	2,362,319	2,623,287
Operating costs	2,040,539	2,052,074
Amortization	96,142	149,547
Interest on long-term debt	30,923	23,283
	194,715	398,383
Gain on corporate stores franchised	217,390	-
Income before income taxes	493,586	1,196,576
Income taxes:		
Current	66,000	512,000
Deferred	78,000	-
	144,000	512,000
Net income	349,586	684,576
Retained earnings, beginning of year	994,350	309,774
Retained earnings, end of year	$ 1,343,936	$ 994,350

Humpty's Restaurants International Inc.

Statement of Cash Flows

For the Year Ended December 31, 1999

	1999	1998
Operating activities:		
Net income	$ 349,586	$ 684,576
Items not involving cash		
Amortization	189,630	201,808
Gain on corporate stores franchised	(217,390)	-
Deferred income taxes	78,000	-
	399,826	886,384
Changes in non-cash working capital balances	(133,153)	(931,945)
	266,673	(45,561)
Financing activities:		
Proceeds from long-term debt	2,708,203	250,000
Proceeds from obligation under capital leases	501,569	-
Repayments of long-term debt	(333,583)	(154,712)
Repayments of obligation under capital leases	(27,300)	-
Proceeds from issue of share capital	21,000	-
	2,869,889	95,288
Investing activities:		
Purchases of capital assets	(3,964,497)	(453,660)
Proceeds on corporate stores franchised	710,635	-
Advances on notes receivable	(314,098)	(120,314)
Repayments of notes receivable	186,211	103,018
	(3,381,749)	(470,956)
Decrease in cash	(245,187)	(421,229)
Cash and cash equivalents, beginning of year	233,310	654,539
Cash and cash equivalents, end of year	$ (11,877)	$ 233,310
Cash and cash equivalents consist of:		
Cash	$ (11,877)	$ 181,090
Term deposits	-	52,220
	$ (11,877)	$ 233,310

Humpty's Restaurants International Inc.

Notes to the Financial Statements

December 31, 1999

1. **Significant Accounting Policies**

Measurement Uncertainty
Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

Credit Risk Management
The Company is exposed to credit risk on the accounts receivable. In order to reduce its credit risk, the Company reviews a new franchisee's credit history before extending credit and performs regular reviews of the franchise's operations. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific franchises, historical trends and other information.

The Company does not have significant exposure to any individual franchisee.

Cash and Cash Equivalents
Cash and cash equivalents include bank accounts and term deposits with maturities under 120 days.

Inventory
The inventory is valued at the lower of cost and net realizable value. Cost is determined based on the first in, first out method.

Amortization
Capital assets are amortized using the following rates and methods:

Building	- 4% declining balance
Leasehold improvements	- straight line over the term of the lease
Furniture and fixtures	- 20% declining balance
Equipment	- 20% declining balance
Furniture under capital lease	- 20% declining balance
Equipment under capital lease	- 20% declining balance
Automotive	- 35% declining balance

There has been no amortization taken on the equipment under capital lease as the location opened only 3 days before year end.

Capital Leases
Capital leases that transfer substantially all of the benefits and risks of ownership of property are recorded as the purchase of an asset and the incurrence of an obligation. The capitalized value of assets under capital lease are amortized on a basis consistent with the amortization policy for similar assets.

Revenue Recognition
Revenue from franchise sales is recognized when the franchise commences operations.

Lease Settlements
The lease settlements expense account includes:

a) expenditures such as lease payments made on behalf of franchisees who are experiencing low sales.

b) losses incurred running franchise locations which have been temporarily taken back, pending refranchising of the location.

c) lease settlement payments to landlords in connection with headlease agreements.

Income Taxes
Income taxes are accounted for by the deferral method of income tax allocation.

Humpty's Restaurants International Inc.

Notes to the Financial Statements

December 31, 1999

2. Notes Receivable

	1999	1998
The notes receivable are unsecured and repayable in equal monthly instalments totalling $18,226. Of the total, $32,000 bears no interest, the remaining balance bears interest at 10% to 12%. The notes mature from December 2000 to April 2005.	$ 294,300	$ 166,413
Less - Current portion	88,951	74,589
	$ 205,349	$ 91,824

The expected principal repayments are as follows:

2000	$ 88,951
2001	73,543
2002	56,362
2003	37,412
2004	36,031

3. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 1,677,606	$ -	$ 505,000	$ -
Building	3,344,677	390,781	1,356,833	345,526
Leasehold improvements	509,771	59,061	753,347	102,700
Furniture and fixtures	453,693	262,129	414,918	233,622
Equipment	260,722	143,033	452,977	205,088
Furniture under capital lease	259,080	-	-	-
Equipment under capital lease	249,229	18,646	-	-
Automotive	48,864	37,924	47,224	32,917
	$ 6,803,642	$ 911,574	$ 3,530,299	$ 919,853

Humpty's Restaurants International Inc.

Notes to the Financial Statements

December 31, 1999

4. Long-Term Debt

	1999	1998
Mortgages		
No payments required until May 2000. Then repayable at $15,000 per month plus interest for 24 months. Repayable at $10,000 per month plus interest thereafter, due November 2015. Interest is at the bank's operational rate plus 1.0%. A general security agreement and a first mortgage on land and building with a carrying value of $2,270,592 has been pledged as security.	$ 1,780,559	$ -
Repayable at $7,850 per month including interest at 11%, due December 2001, a first mortgage on land and building with a carrying value of $1,477,413 has been pledged as security.	633,708	658,290
Repayable at $4,935 per month including interest at the bank's prime lending rate plus 2%, due December 2004, a first mortgage on land and building with a carrying value of $755,436 has been pledged as security.	504,750	-
Requires monthly payments of interest only at 12%, a second mortgage on land and building with a carrying value of $1,477,413 has been pledged as security.	500,000	500,000
Requires monthly payments of interest only at 12%, a second mortgage on land and building with a carrying value of $755,436 has been pledged as security.	300,000	-
Repayable in monthly instalments of $663 including interest at 7%, due October 2001, a first mortgage on land and building with a carrying value of $128,061 has been pledged as security.	71,415	-
Loans Payable		
Three loans (1998 - seven loans) repayable at a total of $6,655 (1998 - $14,182) per month plus interest at rates ranging from the bank's prime lending rate plus 1.25% to 9.8%, with maturities from August 2000 to October 2004.	255,226	511,561
Note Payable	-	6,500
	4,045,658	1,676,351
Less - Current portion	236,986	188,109
	$ 3,808,672	$ 1,488,242

The principal repayments required for the next five years are as follows:

2000	$ 236,986
2001	933,848
2002	221,284
2003	197,928
2004	154,710
	$ 1,744,756

Humpty's Restaurants International Inc.

Notes to the Financial Statements

December 31, 1999

5. Obligation under Capital Leases

Minimum lease payments	
2000	$ 154,374
2001	154,374
2002	141,715
2003	103,737
2004	77,250
Total minimum lease payments	631,450
Less - Interest at various rates between 7.6% - 13.6%	151,868
Balance of obligations	479,582
Less - Current portion	95,512
	$ 384,070

Specific equipment and furniture is pledged as security for each capital lease.

6. Share Capital

Authorized -

Unlimited number of common voting shares
Unlimited number of first preferred shares, issuable in series.
Unlimited number of second preferred shares, issuable in series.

Issued -

	1999	1998
15,194,785 (1998 - 15,044,785) common shares	$ 1,125,806	$ 1,104,806

During the year, 150,000 stock options were exercised for total proceeds of $21,000.

At December 31, 1999, 700,000 stock options were outstanding. They have an exercise price of $0.37 and expire on July 7, 2002.

Humpty's Restaurants International Inc.

Notes to the Financial Statements

December 31, 1999

7. Income Taxes

Income tax expense differs from what would be expected from applying the effective income tax rate of 44.62%. The difference results from the following:

	1999	1998
Expected income tax provision	$ 220,238	$ 533,912
Utilization of deferred tax asset not previously recorded	(66,994)	(29,044)
Non-taxable portion of capital gain	(10,627)	-
Non-deductible promotion	7,668	6,707
Other	(6,285)	425
	$ 144,000	$ 512,000

8. Contingencies and Commitments

a) The Company is contingently liable under head lease agreements with the landlords of many of its franchisees. The likelihood or amount of any liability under these agreements cannot be reasonably determined. Any losses will be charged to income in the year incurred.

b) The Company has entered into contracts with each of its franchisees that require continuing performance on the part of the Company.

9. Net Income Per Share

Net income per share has been calculated using the weighted average number of shares outstanding during the year.

	1999	1998
Basic	$ 0.023	$ 0.046
Fully diluted	$ 0.022	$ 0.043

10. Lease Commitments

The Company has leases for premises, automobiles, and office equipment. The minimum annual lease payments for each of the next five years are as follows:

2000	$ 199,160
2001	167,099
2002	167,099
2003	167,316
2004	110,000
	$ 810,674

11. Additional Franchise Information

	1999	1998
Number of restaurant locations in operation		
Franchises		
Beginning of year	47	40
New franchises sold	7	7
Franchisor outlets sold as franchises	2	-
End of year	56	47
Franchisor owned outlets	5	5
Total locations	61	52

12. Fair Value Disclosure

The fair value of all the Company's financial assets and liabilities approximate their carrying value.

13. Comparative Financial Statements

Certain figures in the 1998 financial statements have been reclassified to be consistent with the presentation used in 1999.

Humpty's

Restaurants International Inc.

Corporate Information

Head Office

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Calgary, Alberta T2G 5J4
Telephone: (403) 269-4675
Facsimile: (403) 266-1973
E-mail: humpty@cadvision.com
Website: www.humptys.com

Auditors

Kenway, Mack, Slusarchuk, Stewart
Chartered Accountants
Calgary, Alberta

Legal Council

Corporate Matters:	McLeod & Company Barristers & Solicitors Calgary, Alberta
Franchise Matters:	Fleming Kambeitz Barristers & Solicitors Calgary, Alberta

Transfer Agent

Montreal Trust
Suite 600 Western Gas Tower
530 – 8^{th} Avenue
Calgary, Alberta T2P 3S8

Corporate Banking

Royal Bank of Canada Calgary, Alberta	Bank of Montreal Calgary, Alberta

Stock Exchange

Canadian Venture Exchange
Trading Symbol: HMP

Board of Directors

Don Koenig*	Chairman President, CEO & CFO Humpty's Restaurants Intl. Inc. Calgary, Alberta
Janice Koenig*	Vice-President Humpty's Restaurants Intl. Inc. Calgary, Alberta
Bert Messier*	President BECA International Inc. Calgary, Alberta
Carolyn Messier	Vice-President BECA International Inc. Calgary, Alberta
Albert Jakubec	Private Investor Calgary, Alberta

* Audit Committee Member

Officers and Executive Management

Don Koenig	President, CEO & CFO
Janice Koenig	Vice-President, Administration
Tom Scappatura	Corporate Controller
T.W. (Nino) Plava	Investor Relations & Finance

Annual General Meeting

Thursday, June 29th, 1999
Commencing 10:00 A.M. @
The Holiday Inn
4206 MacLeod Trail South
Calgary, Alberta

Fiscal Year End: December 31st

Restaurants International Inc.

Corporate Information

Head Office

2505 MacLeod Trail South
Calgary, Alberta T2G 5J4
Telephone: (403) 269-4675
Facsimile: (403) 266-1973
E-mail: humpty@cadvision.com
Website: www.humptys.com

Auditors

Kenway, Mack, Slusarchuk, Stewart
Chartered Accountants
Calgary, Alberta

Legal Council

Corporate Matters: McLeod & Company
Barristers & Solicitors
Calgary, Alberta

Franchise Matters: Fleming Kambeitz
Barristers & Solicitors
Calgary, Alberta

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